Photo by Chris Miller

S O U T H E A S T C O N F E R E N C E

SOUTHEAST CONFERENCE

Southeast Alaska by the Numbers 2015

September 2015

Changes in Southeast Alaska: 2010 to 2014

Regional population increased by 2,616 people to 74,280 (+4%)

Labor force increased by 1,500 jobs to 45,694 jobs (+3%)

Government jobs decreased by 260 jobs (-2%)

Job Earnings Increased by $275 million to $2.2 billion (+14%)

Passenger arrivals via plane, ferry & cruise ship increased by 138,400 (+8%)

Southeast Alaska's Economy

This publication tells two stories about the regional economy: a positive tale of five-year trends, and a more sobering one-year analysis and future forecast.

Over the last five years we added 2,600 people and 1,500 jobs to our economy. Total workforce earnings increased by $275 million, with most of that coming from the private sector ($209 million). With the exception of government, nearly every sector flourished. New jobs and investments occurred in the areas of seafood, tourism, mining, construction, healthcare, maritime, and energy. Housing starts tripled.

After watching so many indicators fall from the early 1990's to the late 2000's, we became accustomed to an economy of decline, and this recent rise was nothing short of exhilarating. In the past five years, we have broken records, reaching all-time highs in population, workers, and total workforce earnings. But the truth is that most of this expansion occurred at the start of this five-year period, and data from the last year especially indicates a contraction.

Between 2013 and 2014 there were few areas of growth, and many indicators trended slightly downwards. Our population declined by 30 people. Jobs fell by 300, mostly in the areas of government, construction, and health care. There were 34,000 fewer cruise and ferry visitors to the region. The value of seafood harvested in the region fell by $100 million. The price of gold fell by 10%. Early 2015 job reports show more losses on the way.

The most concerning signal is the long-term strength of our government, which accounts for more than a third of all workforce earnings in the region. Oil revenues provide 90% of the State's unrestricted revenues. In the last year the average price of crude fell nearly 50% and oil production was down again, and has declined nearly continuously since 1988. The State projects a two-year deficit of $7.7 billion, and that our savings will be gone in four years. Clearly something will need to happen to address this, and because we are so dependent on the role that government plays in our economy, that "something" could create a significant downward drag on our economy.

Despite these concerns, a survey of business owners and top managers from across the region expressed confidence in our economic climate, with 38% saying that they expect their business or industry to improve, and 43% expecting it to stay the same (see page 12). Visitor industry respondents were the most optimistic, and with good reason. New records for total cruise and airline visitors are expected in the next couple years. Notably pessimistic about the direction of their industries were businesses involved with timber, construction, and heath care. Because construction and health care together compose 15% of all regional wages, these concerns carry increased significance. It is going to be the challenge of regional leaders to continue to find ways to move our economy forward.

A Message from Southeast Conference

Executive Director
Shelly Wright

Southeast Conference has been a part of so many great opportunities in our region this year. Our Board of Directors and members continue to look for ways to move the economy of Southeast Alaska forward. We now have staff members dedicated to the further development of Regional Food Security, Energy, and the Maritime Service and Supply Industry.

Getting important information to you is still one of our primary goals. Southeast Alaska by the Numbers 2015 is even better than last year. Full of key indicators and trend analysis that will help you as you plan for your business, propose legislation, or work to inform others about our part of Alaska.

This year we are also looking for your help. We are putting together the Southeast Alaska Economic Plan 2020, and want you to let us know what your plans are over the next five years. The goals and actions of your community, organizations and businesses will drive the work that is prioritized in the 2020 plan.

No one understands the elements of our region better than you, our members, and no one is better suited to provide direction for the next stage in our development.

As Southeast Alaskans, it is important we not only grow our economy but we must define our place in the overall state economy. To do that we must stand up and take notice of everything we have to offer and make sure everyone else in the state knows it as well. Working together and standing strong we can see the tides turn.

President
Patty Phillips

Southeast Conference aims to develop far-reaching SMART Growth strategies for the betterment of the economy of Southeast Alaska. Five years ago we started a new planning process designed to prepare and achieve workable goals and initiatives with SMART focus: Specific, Measurable, Attainable, Relevant, & Timely. Through this process we pulled together people willing to leverage resources to improve the socio-economic conditions throughout all spectrums of the economy, thereby adding collective muscle to our efforts and our outcomes.

Southeast Alaska by the Numbers 2015 gives a snapshot of measurable achievements. I am excited to see where we're making, or can make, a difference:

•Gauging efforts to improve the economy to determine what is stable and sustainable: commercial fishing, visitor industry, and the maritime economy.

•Tracking the losses of government jobs and meeting the challenge of folding employment and payroll into other sectors of the economy to reduce declines.

•Employment and workforce earnings in the Timber & Wood Products economy are at all-time lows. Where can we redouble our efforts to move forward with natural resource development to improve the economy?

Our committee process generate ideas and dialogue that help us make better decisions through networking, coordination and collaboration. We are a can-do region working to build prosperous and resilient communities. Thank you.

Incoming President
Garry White

First I wish to thank all of the members of Southeast Conference for their support of this important organization. SEC has more than one role to play in securing the future of our region.

People have called Southeast Alaska home for thousands of years, overcoming many obstacles, showing resiliency and determination to make our communities a place we call home. As the State of Alaska struggles with budget shortfalls and faces tough funding choices, as a voice for Southeast Alaska we can stand together to advocate for the funding and support that our region needs to maintain a viable economy and livable communities.

As we work together to build a stronger economy for our region, we have an opportunity to consider new ways of doing things. Innovation is directly related to economic development. The new innovation economy that is emerging around the world focuses on customization based on information technology and product design. It relies on entrepreneurs, small-scale businesses, flexibility, networking, and the utilization of local talent. As an organization, SEC can work to develop the assets that are needed to build an innovation economy in targeted sectors, such as marine industry, and in doing so become competitive with the nearby regional economies of British Columbia and Puget Sound.

And as we participate in the activities of our own communities, we each can become advocates and educators to build support for specific SEC projects and for economic development in general.

There is a lot of work to be done and I look forward to getting started.

The mission of Southeast Conference is to **undertake and support activities that promote strong economies, healthy communities and a quality environment in Southeast Alaska**. As the state and federally designated regional economic development organization, Southeast Conference serves as the collective voice for advancing the region's economy. We have 180 member organizations representing 1,200 people from 32 regional communities. We started 58 years ago with a group of people supporting the establishment of a regional transportation system, leading to the formation of the Alaska Marine Highway System. Our members stayed together through more than a half-century to focus on concerns unique to the region.

Five Years of Change: 2010 to 2014

The following table tracks key Southeast Alaska indicators over the past 5 years, along with associated changes.

Demographics	2010	2013	2014	Change 2010-14
Population [1]	71,664	74,310	74,280	4%/+2,616 people
65 to 79 year olds	5,664	7,151	7,573	+34%
Regional Population Excluding Juneau	40,389	41,318	41,252	+2%
K-12 School District Enrollment	11,388	11,316	11,804	+4%
General				
Total Labor Force (jobs, includes self-employed & USCG)	44,195	46,015	45,694	3%/+1,500 jobs
Total Job Earnings (includes self-employment earnings & USCG)	$1.9 billion	$2.1 billion	$2.2 billion	+14%
Total Private Sector Payroll	$1.2 billion	$1.38 billion	$1.41 billion	+17%
Average Annual Wage	$42,991	$46,508	$47,261	+10%
Annual Unemployment Rate	7.9%	6.4%	7.1%	-0.8%
Top Economic Sectors	**2010**	**2013**	**2014**	**% change**
Government	Public Sector: 35% of all employment earnings			
Total Government Employment	13,862	13,718	13,602	-2%/-260 jobs
Federal Employment	2,134	2,195	2,110	-1%
USDA (Forest Service)	618	530	521	-16%
State Employment	5,571	5,516	5,504	-1%
City and Tribal Employment	6,164	6,007	5,988	-3%
Total Government Payroll	$696.7 M	$755.2 M	$765.8 M	+10%
Commercial Fishing & Seafood Industry	Key Industry: 12% of all employment earnings			
Total Seafood Employment	3,966	4,252	4,372	10%/+406 jobs
Total Seafood Employment Earnings	$209.5 million	$244.5 million	$259.0 million	+24%
Pounds of Seafood Processed	206,848,075	299,897,994	230,311,924	+11%
Pounds Landed	282,947,030	479,561,267	300,899,066	+6%
Estimated Gross Earnings	$274,415,143	$359,169,338	$267,007,473	-3%
Visitor Industry	Key Industry: 9% of all employment earnings			
Total Visitor Industry Employment	5,890	6,707	6,923	18%/+1,033 jobs
Total Visitor Industry Wages/Earnings	$158.1 million	$179.9 million	$188.5 million	+19%
Total Passenger Arrivals	1,718,330	1,867,306	1,856,708	+8%
• Cruise Passengers	875,560	999,600	967,500	+11%
• Total Air Passenger Arrivals in Southeast	591,234	613,269	646,560	+9%
• Total Southeast AMHS Passengers Arrivals	251,503	254,437	242,648	-4%
Health	Key Industry: 8% of all employment earnings			
Health Care Employment	3,294	3,391	3,323	1%
Health Care Wages	$158.1 million	$172.3 million	$174.5 million	10%
Maritime Economy (Includes employment from all industries)	Top Sector: 24% of Private Sector employment earnings			
Private Maritime plus USCG Employment	5,907	6,697	6,768	15%/+861 jobs
Private Maritime plus USCG Wages	$305.8 million	$379.7 million	$395.5 million	+29%
Other Selected Statistics	**2010**	**2013**	**2014**	**% change**
Construction Employment	2,107	2,268	2,168	3%/+61 jobs
Mining Employment	536	756	783	46%/+247 jobs
Price of Gold	$1,225	$1,411	$1,266	+3%
Consumer Price Index for Anchorage	195.144	212.381	215.805	+11%
Housing Starts: New Housing Permitted and/or Completed	130	259	321	+147%
Total Megawatt Hours Sold in Southeast	810,205	846,172	na	+4% 2010-2013
Total Business Licenses	7,474	8,438	9,418	+26%
Avg. Daily Volume ANS Oil Production (mbbls/day)	FY10 644	FY14 531.1	FY15 497.4	-23%
Annual Average Domestic Crude WTI Oil Prices (in $/Barrel)	$80	$98	$53 (2015 avg.)	-33%

Sources: [1]Alaska Department of Labor (ADOL); [2]ADOL Southeast Alaska Population by Age, 2010 to 2014; [3]Alaska Department of Education and Early Development; [4]Building Permits Survey, US Census; [5] US Coast Guard; [6] 2012 US Census Nonemployer (self-employment) Statistics; [7]ADF&G Seafood Production of Shorebased Plants in Southeast Alaska, 2000 through 2013; [8]ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information, 2012-2013; [9]Alaska Forest Association; [10]McDowell Group & Cruise Line Agencies of Alaska; [11]US Bureau of Transportation Statistics (RITA); [12]Alaska Marine Highway System; [13]Annual Electric Power Industry Report. U.S. Energy Information Administration; [14]Alaska Department of Revenue *Revenue Sources Book* ; [15]Kitco Metals Inc.; [13]EIA www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm

The Whole Economy
45,700 Jobs

A challenge in analyzing Southeast Alaska's economy is that our commercial fishing fleet and U.S. Coast Guard members are often omitted due to lack of data. Employment and wage data do not include self-employed individuals or their earnings, nor do they include active duty military. In Southeast Alaska these groups are significant, representing nearly 8,300 workers, or 18 percent of all regional employment.

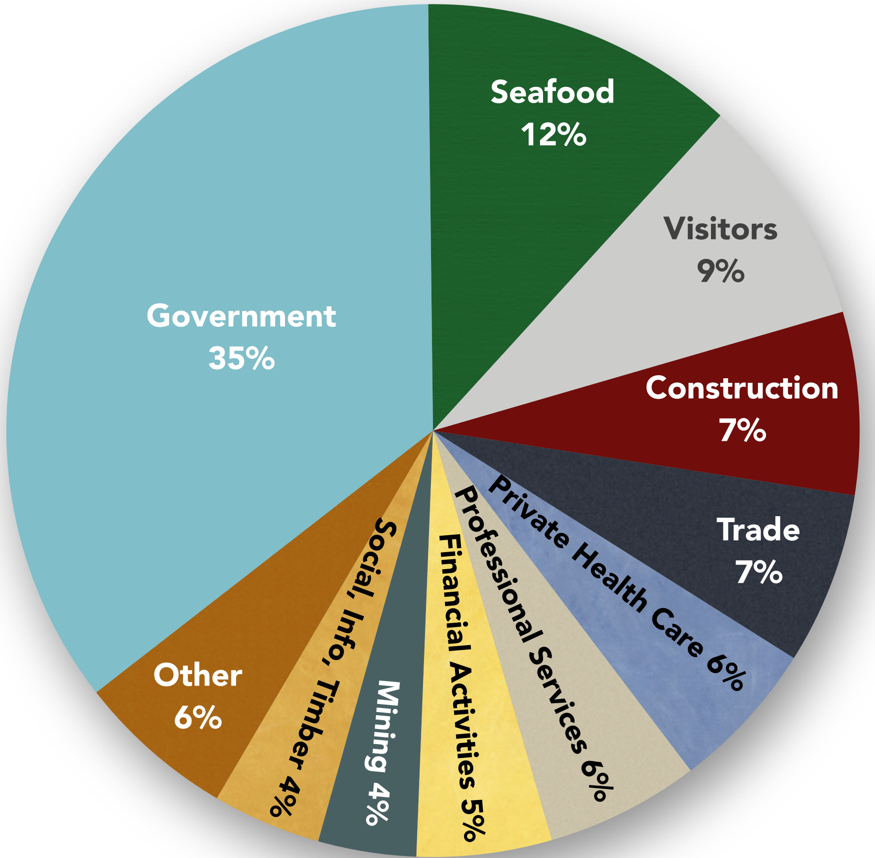
This publication includes self-employed individuals and Coast Guard personnel to get a better picture of the whole economy. Self-employment is measured using the US Census Nonemployer Statistics, which track self-employment earnings by using tax return data. Nonemployer Statistics lag by one year, so this publication uses 2013 self-employment data.

There are important differences in how employment, self-employment, and active duty military data are measured, but combining these data sets with Alaska Department of Labor's Employment and Wage data provides a clear and accurate picture of the regional economy as a whole.

The chart to the right shows the Southeast Alaska regional economy as a whole based on all work-related earnings. The data table below provides a detailed breakout of employment and workforce earnings.

2014 Southeast Alaska Employment Earnings

Includes US Coast Guard Payroll & Self-Employment Earnings



2014 Southeast Alaska Employment Related Earnings

	Employment Related Earnings			Employment Numbers		
	Wages (2014)	Self Employment Earnings (2013)	Total Earnings	Annual Average Employment (2014)	Self-Employed (2013)	Total Employment
Government (includes Coast Guard)	$713,198,035	$52,624,442*	$765,822,477	12,972	658*	13,602
Seafood Industry	$76,576,188	$182,438,000	$259,014,188	2,030	2,342	4,372
Visitor Industry	$161,845,408	$26,668,000	$188,513,408	6,169	754	6,923
Construction Industry	$114,504,356	$34,736,000	$149,240,356	1,607	561	2,168
Trade: Retail and Wholesale	$120,045,588	$20,955,000	$141,000,588	4,100	536	4,636
Health Care Industry (private only)	$113,311,816	$10,270,000	$123,581,816	2,258	207	2,465
Professional and Business Services	$83,331,060	$42,361,000	$125,692,060	1,562	1,194	2,756
Financial Activities	$51,297,629	$60,269,000	$111,566,629	1,160	596	1,756
Mining Industry	$79,797,965	$48,000	$79,845,965	780	3	783
Warehousing, Utilities, & Non-Visitor Transport	$48,527,238	$11,764,000	$60,291,238	831	130	961
Social Services	$45,775,589	$3,024,000	$48,799,589	1,459	186	1,645
Information (publishing, broadcasting, telecomm.)	$20,179,224	$1,687,000	$21,866,224	481	56	537
Timber Industry	$15,168,283	$2,062,000	$17,230,283	277	51	328
Other	$53,945,542	$28,282,000	$82,227,542	1,761	973	2,762
Total	**$1,697,503,921**	**$477,188,442**	**$2,174,692,363**	**37,447**	**8,247**	**45,694**

Sources: Alaska Department of Labor 2014 Employment & Wage data; 2013 US Census Nonemployer (self-employment) Statistics; 2013 US Coast Guard employment & wage data.
*These cells in Government refer to 2014 active duty Coast Guard personnel employment and wages, and not self-employment data.
Notes: Seafood Industry includes animal aquaculture, fishing & seafood product preparation (NAICS 1125,1141,3117) and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew that did not report income are excluded). **Visitor Industry** includes leisure & hospitality, and visitor transportation (air, water, scenic) (NAICS 71, 72, 481, 487, 483) **Timber** includes forestry and logging support activities for forestry, and wood product manufacturing (NAICS 113, 1153, 321).

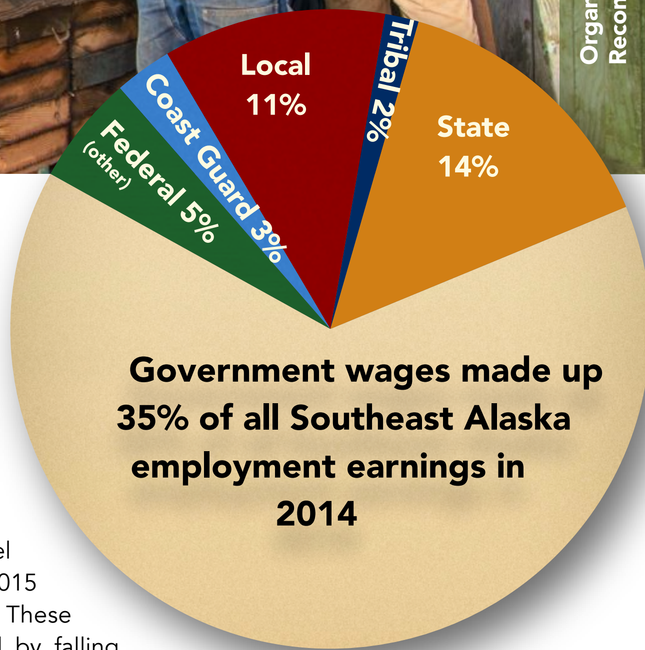
Southeast Alaska Government

13,600 Jobs

Organized Village of Kake Cannery Reconstruction. Photo by Bethany Goodrich

Change in Southeast Government Jobs 2010-2014
5 year change in jobs: -270

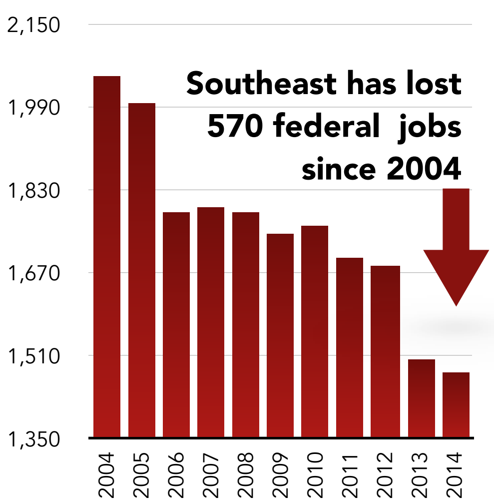
- **State: -60**
- **Local/Tribal: -180**
- **Coast Guard: +250**
- **Federal (other): -280**



Government wages made up 35% of all regional employment earnings ($766 million) and 30% of the region's jobs (13,600) in 2014, but this sector is on the decline. In the last five years job losses occurred in every area of government (state, federal, local, and tribal), with the exception of the US Coast Guard.

Federal Government Losses

Federal employment has fallen the most dramatically. Since 2004, federal jobs (excluding active service Coast Guard) fell by 28%, a loss of 570 jobs. Since the average federal government wage is $81,000, this results in a direct loss of $46 million in wages across the region annually. Federal spending declines are also impacting the region.



State Government Losses

Alaska is facing a significant shift in State government financing. Oil revenues historically provided the majority of State funding, accounting for 90 percent of the state's unrestricted revenues, but this is changing. Oil prices declined from an average of nearly $100 per barrel in 2014, to an average of $53 in 2015 (January to August average). These price decreases are exacerbated by falling oil production. Between FY10 and FY15, the average daily volume for Alaska North Slope oil production fell by 23% to 497.4 thousand barrels (33.7 thousand fewer barrels per day than last year).

Falling prices and production have translated into a $7.7 billion State deficit forecast for FY15 and FY16 (combined). Oil revenue can no longer independently support current levels of state government to which Alaskans have become accustomed, and there are only three to four years of savings remaining to preserve government services and key projects. In Southeast Alaska, where 14% of all direct wages come from the State, and many businesses provide the majority of their services to the State, there is much trepidation regarding the larger economic ramifications of upcoming employment and spending reductions.

Local Government Losses

Declining State revenue and federal budget cuts continue to translate into payment reductions to municipal and tribal government in the region. Communities across the region have cut 200 jobs in the past five years, and are struggling financially.

Outlook

An analysis of employment numbers for the first half of 2015 show further employment reductions for all levels of government, resulting in an additional loss of 160 jobs. Absent a rebound in oil prices or a massive restructuring of the State's fiscal regime, economists expect these losses to continue.

Sources: ADOL 2013 Employment and Wage data; U.S. Coast Guard; Alyeska Pipeline Service Company; ADOL Southeast Alaska Government Departments 2010-2013; Potential Fiscal and Revenue Options. Alaska Department of Revenue White Paper 6/4/2015.

SOUTHEAST MARITIME: 6,770 Jobs

Private and US Coast Guard Maritime Employment & Workforce Earnings

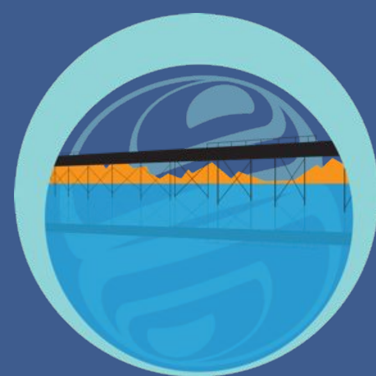
Fishing & Seafood Processing
Jobs: **4,372**
Wages: **$259.7 M**
Change in jobs 2010-14: **+7%**

Marine Tourism
Jobs: **914**
Wages: **$28.2 M**
Change in jobs 2010-14: **+19%**

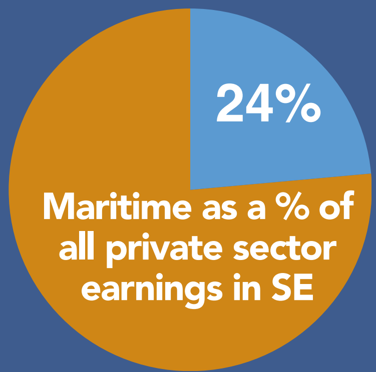
US Coast Guard
Jobs: **765** (Active Duty and Civilian)
Wages: **$63.3 M**
Change in jobs 2010-14: **+49%**

Marine Transportation (Excluding Tourism)
Jobs: **399**
Wages: **$26.2M**
Change in jobs 2010-14: **0%**

Ship Building, Repair, Marinas
Jobs: **231**
Wages: **$12.3 M**
Change in jobs 2010-14: **-2%**



Marine Related Construction
Jobs: **67**
Wages: **$7.1 M**
Change in jobs 2010-14: **+131%**



Southeast Private & USCG Maritime Economy 2010-2014

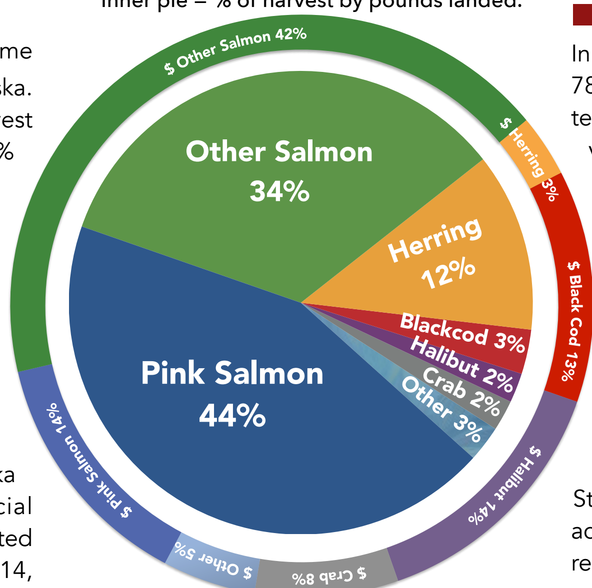
- Total Jobs 2014: **6,770**
- Total Wages 2014: **$395 Million**
- 5 year change in jobs: **+860**
- 5 year change in jobs by percent: **+15%**
- 5 year change in earnings: **+$90 million**
- Change in earnings by percent: **+29%**

Maritime icons created by graphic illustrator Averyl Veliz.
For methodology, notes and sources, see *www.raincoastdata.com/sites/default/files/Maritime by the Numbers.pdf*

Seafood Industry
4,370 Jobs

Seafood Landed in SE Alaska by Species, 2014

Outer ring = % of harvest by dollar value.
Inner pie = % of harvest by pounds landed.



It will be hard to beat 2013, our all time record year for seafood in Southeast Alaska. The total Southeast Alaska seafood harvest in 2014 was 301 million pounds, a 37% decrease from the year before, with a total value to fishermen of $267 million.

The Seafood Industry is a Key Economic Driver

Seafood harvests have been a critical part of the Southeast Alaska economy for thousands of years, and it was over Southeast Alaska salmon that statehood itself was fought. The Southeast Alaska seafood industry (including commercial fishermen & seafood processors) generated 4,370 average annual regional jobs in 2014, making up **12% of all regional employment earnings** and **10% of all jobs**.

Those working in our region's seafood industry earned $259 million last year, which represents a 24% $49.5 million increase since 2010. Nonresident commercial fishermen & crew members are excluded from these figures.

The majority of the statewide catch of Chinook, coho, chum, shrimp, and the dive fisheries occurs in Southeast Alaska, along with approximately a third of all crab. In 2014, nine-out-of-ten Alaska Chinook salmon harvested came out of Southeast Alaska waters.

Regional Seafood Facts 2010-2014

- In the past 5 years, **1.7 billion pounds of seafood** were harvested from Southeast Alaska waters (mostly salmon) with a catch value to fishermen of **$1.5 billion.**
- More than a **third of all Alaska salmon** was caught in Southeast Alaska, along with **77% of all Alaska King Salmon**.
- Seafood earnings increased by **24%**, a **$49.5 million** rise.

In 2014, the five salmon species represented 78% of the overall regional seafood catch in terms of volume—yet only 56% of total ex-vessel value ($150 million). Halibut and blackcod—while just five percent of total pounds landed—accounted for 27% of total catch value in 2014. (See pie chart).

Seafood Processing

In 2014, shore-based seafood facilities in Southeast Alaska processed 230 million pounds of seafood, with a wholesale value of $507 million, a 23% decrease in seafood pounds processed over 2014. State shared fisheries taxes for processing activity in FY14 generated $5.4 million for regional communities.

Seafood Industry Outlook

The preseason forecast for 2015 predicted 58 million pink salmon and 71 million salmon altogether. As of August 2015, only about half of these harvest levels had been realized, bringing the catch solidly below expectations.

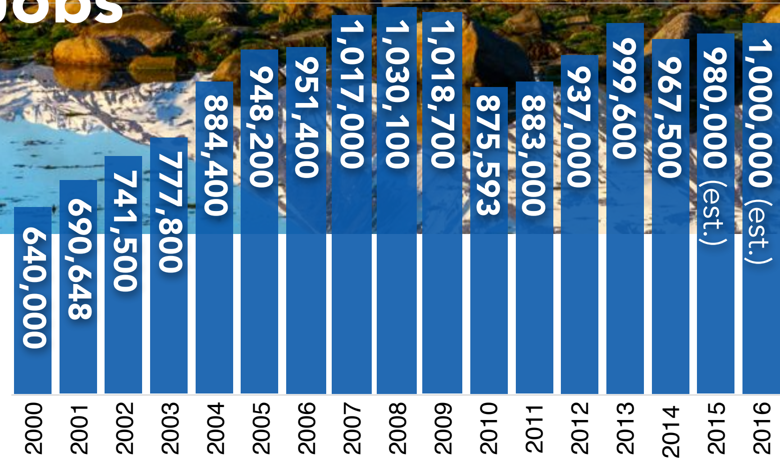
Regardless of the final 2015 count, expect the volume of the 2016 seafood harvest to be below 2015 levels. The two-year pink salmon life cycle, which spikes in odd-numbered years, will drive the regional harvest down in 2016.

Sources: Combination of ADOL 2014 Employment and Wage data; 2013 US Census Nonemployer (self-employment) Statistics; ADF&G Seafood Production of Shorebased Plants in Southeast Alaska. ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information; Run Forecasts and Harvest Projections for 2015 Alaska Salmon Fisheries and Review of the 2014 Season; ADF&G April 2014; ADF&G 2015 Preliminary Alaska Commercial Salmon Harvest - Blue Sheet Updated August 29, 2015; Shared Taxes and Fees Annual Report FY14, ADOR; Alaska Commercial Salmon Harvests and Ex-vessel Values, ADF&G. **Seafood Industry** includes animal aquaculture, fishing, & seafood product preparation (NAICS 1125,1141,3117) and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew that did not report income are excluded).

Visitor Industry

6,920 Jobs

The Southeast Alaska Visitor Industry added more than 1,000 jobs over the past five years.



Southeast Alaska Cruise Passengers 2000-2015

Visitors have been coming to Southeast Alaska since John Muir wrote about the region in the 1870's.

There were 1.9 million air, ferry and cruise passenger arrivals to the region in 2014, an 8% increase over five years ago. Airline passenger traffic was up 5%, while ferry passenger traffic was down. Between 2010 and 2015, cruise passenger traffic to the region increased by 12%. This includes a slight decline in 2014 when 138,000 fewer cruise ship tourists came to the region.

Key Economic Driver

The visitor industry is one of the region's largest private-sector employers in terms of jobs, accounting for 15% (6,920) of all regional jobs and 22% of all private-sector jobs. In the past five years visitor industry earnings grew by 19%. Those working in the visitor industry earned $188.5 million—which is eight percent of all employment income earned in Southeast Alaska in 2014. In this analysis, the visitor industry includes leisure and hospitality businesses, along with air, water & scenic transportation companies.

According to the McDowell Group, one-third of all Alaska visitor spending occurs in Southeast, where visitors spent $591 million in 2014 (excluding transportation to and from Alaska). The total economic impact of the visitor industry to the region was $1.1 billion in 2014.

Cruise Ship Traffic

In 2015, 980,000 cruise ship passengers are estimated to have visited the region, making 482 voyages on 31 cruise ships. This year Yakutat welcomed its first cruise ship ever, with more visits planned in 2016. The Haines Borough decreased docking fees by half for the 2017-2019 seasons to attract more ships.

Increased Jet Service

Airline passenger arrivals in Southeast Alaska peaked in 2007. However, the number of passengers deplaning in the first seven months of 2015 is ahead of the first seven months of 2007, meaning 2015 is currently on track to see the most airline passengers ever.

In addition to Alaska Airlines, a second jet service entered the Southeast Alaska market. Delta Airlines began summer flight services between Juneau and Seattle in 2014 for the first time since 1996. In 2015, the airline added service to Sitka and Ketchikan and made Juneau's service year-round.

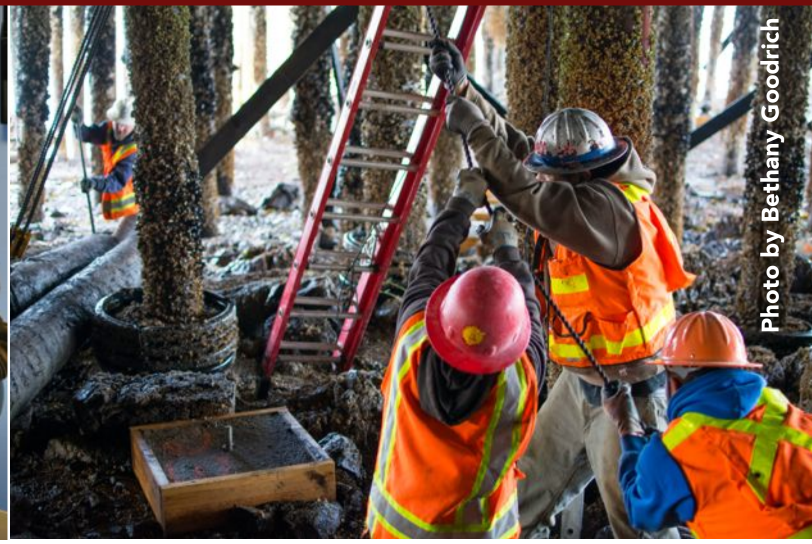
Since "transportation costs" was recently identified as the number one weakness of the regional economy (see page 15), decreased travel costs and increased air service are expected to benefit the region.

Visitor Outlook

The visitor industry has the strongest outlook of all Southeast Alaska industries. It tends to follow national and international tourism trends, which are projected to grow around 4% annually through 2020.

Airline passenger arrivals are likely to hit a new record in 2015 or 2016. We also anticipate a new cruise passenger record by 2018. Southeast Alaska is continuing to see bigger ships, so while the number of voyages is likely to remain the same, expect the number of cruise passengers to the region to rise by two percent per year. Along with increased visitors, the number of jobs and related income in this sector will continue to improve.

Sources: Combination of ADOL 2014 Employment and Wage data; and 2013 US Census Nonemployer (self-employment) Statistics; McDowell Group; US Bureau of Transportation Statistics (RITA); Alaska Marine Highway System; Cruise Line Agencies of Alaska; Cruise Market Watch; Juneau International Airport Passenger Statistics; Economic Impact of Alaska's Visitor Industry (2013-14 Update). Forecast 2015 - US Office of Travel and Tourism Industries



Southeast Healthcare Industry (3,320 Jobs)

Down 70 Jobs in 2014 -2%

Healthcare is a significant piece of the regional economy. When both private and local hospital health care services are taken into account, Southeast Alaska's 3,320 healthcare workers earned eight percent of regional wages ($172.5 million) in 2014. Yet in a reversal of long-term trends and projections, the regional healthcare industry fell by more than 100 jobs over the past two years. This is in spite of the fact that the health care needs in our region have been growing.

Healthcare industry officials responding to the Southeast Alaska Business Climate survey were among the most pessimistic about the future, with nearly half of respondents reporting that they expected the outlook for their industry to be "worse" or "much worse."

Healthcare Industry Trends

Nationally the growth of healthcare employment has flattened in response to increased costs and a regulatory environment that is increasingly complex and expensive. Healthcare providers are under significant economic pressure from payers to contain costs. Hospitals in states such as ours that did not expand Medicaid in conjunction with the Affordable Care Act were the most impacted, and uncertainty over the first ever Medicaid rate freeze by State government will exacerbate pressures to cut costs and, by extension, jobs.

As the demands from our aging populace become stronger, demand for workers in the healthcare industry should translate into long-term growth for this industry. Medicaid expansion is expected to have a significant and positive impact on regional healthcare employment levels. However, in the short-term, this industry will continue to trend downwards. In the first seven months of 2015, healthcare employment decreased another three percent.

Southeast Construction Industry (2,170 Jobs)

Down 100 Jobs in 2014 -4%

After a long-term upward trend, construction employment fell by 100 jobs last year to 2,170, and early employment data from 2015 indicate that construction related employment will drop another 100 this year. Construction workers in the region earned $149 million in 2014—seven percent of all Southeast Alaska employment earnings.

Construction Industry Trends

Over the last five years, new homes, commercial buildings, and high-profile publicly funded projects, such as the Gustavus Dock, the Blue Lake Hydroelectric Project in Sitka, the Gartina Falls Hydro Project in Hoonah, and the State of Alaska Library Archives, have created a construction boom. Unfortunately, the contraction of the State capital budget and federal spending means that future projects are no longer being added to the lists of planned projects. The existing back-log of funded projects (including improvements to the Douglas Harbor, the Angoon Airport, and Harrington Hall in Sitka) should reduce the rate of decline, but as large-scale endeavors are unable to obtain funding, construction projects will be put on hold, and employment levels will drop.

Industry officials are concerned. When asked about the current business climate in the Spring of 2015, 74% (the second highest of all industries) of those in the construction sector said that the regional business climate was "good" or "very good." However, when asked about the future, 48% said that the outlook for their industry is "worse" or "much worse" (the second lowest of all industries, see page 12).

On the bright side, home building is up, with 321 new housing units built or permitted across the region in 2014, compared to just 130 in 2010.

Sources: Combination of Alaska Department of Labor 2014 Employment and Wage data and 2013 US Census Nonemployer (self-employment) Statistics; Industry and Occupational Forecasts 2010 to 2020.

Mining Industry

783 Jobs

Southeast Alaska Mining Employment 2003-2014

Jobs up 4% in 2014

Mining has been a part of the regional economy since gold was first discovered here in the 1860's. In 2014, there were 783 annual average mining jobs in Southeast Alaska, with a payroll of $80 million. The status of mining has changed significantly over the last dozen years. After rising for eleven consecutive years, in 2013 global metal prices and regional mining employment began trending downwards.

The two large mines operating in the region account for nearly all of mining employment. In August of 2015, Greens Creek employed 415 full-time permanent employees, while Kensington had a staff of 328. Projects such as the Greens Creek tailings expansion account for additional jobs (30 in the example of the tailings expansion). With an average annual wage of $102,000, mining jobs pay the highest wages in the region of any sector, two and a half times the average private sector wage.

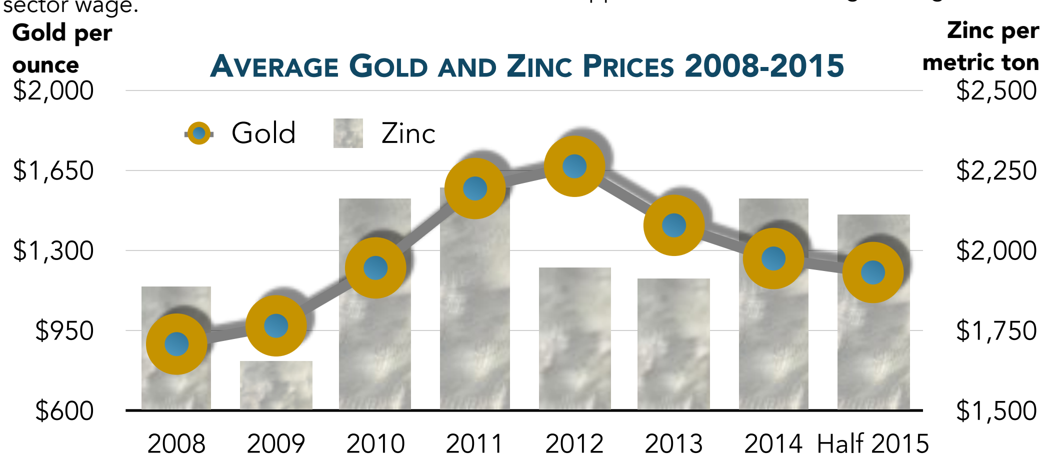
Despite decreasing metal prices, production has been up. Kensington increased its production by nearly 50% over the past two years to 117,823 ounces of gold in 2014. Greens Creek's mill operated at an average of 2,236 tons per day in 2014—the highest daily average since the mine began operations in 1989—producing 1.4 million tons of zinc, 7.8 million ounces of silver, and 58,753 ounces of gold.

Southeast Alaska's mining industry rises and falls based on mineral prices. After reaching nearly $1,800 per ounce in Fall 2012, gold fell to $1,120 in August 2015. Zinc, another mineral heavily mined in Southeast Alaska, now appears to be on a long-term gradual downward trend after seeing some gains in 2014.

The decrease in gold and silver prices is linked to the national economic recovery as investors turn away from so called "safe-haven" precious metal investments. The decline in zinc and rare earth elements are due to decreasing demand in China, as the growth of that economy has slowed substantially.

In 2014 and 2015 mining operations employment was relatively flat, while exploration was on the decline. In a time of low commodities prices, finding investors and financing for exploration becomes increasingly difficult. The exception to this is the copper-rich Palmer Project near Haines. Constantine Metal Resources has partnered with the Japanese based Dowa to increase that exploration program. Rare earth elements exploration at Bokan Mountain and the Niblack Project (both located on Prince of Wales Island) have slowed. Rare earth element prices reached a peak in mid-2011 before declining an average of 81% into 2014.

Average Gold and Zinc Prices 2008-2015

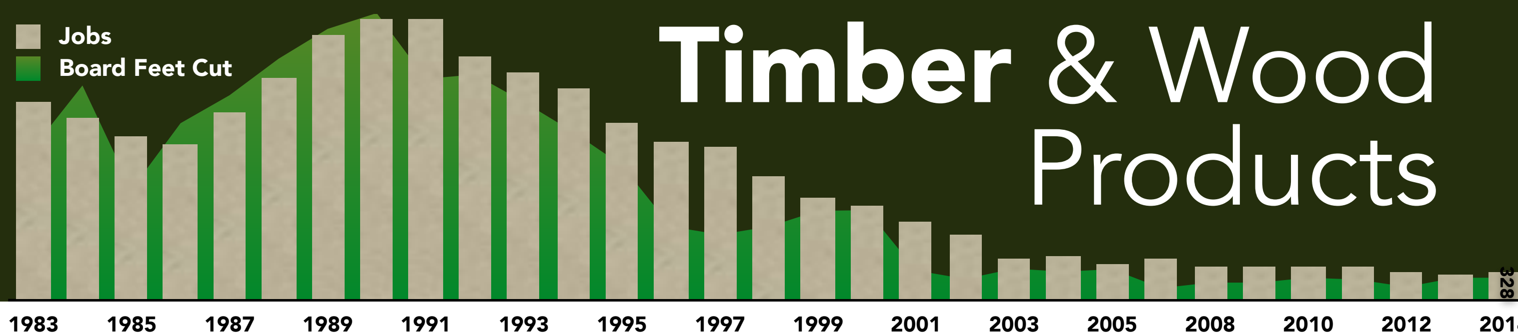


Mining Outlook

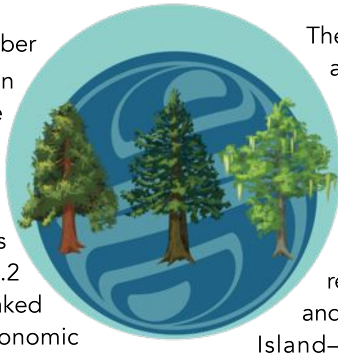
Demand in China is expected to continue to decrease, which could mean metal prices will continue to trend downward. The region's mines are working to maintain current employment and production levels, as they also prepare for gradual declines in mineral values. The immediate outlook is for minimal job losses.

Sources: ADOL 2014 Employment and Wage data; Kitco Metals Inc; Coeur Mining Inc. 2013 annual Report; Hecla Mining Company 2014 Annual Report; Arafura Resources Rare Earth Pricing.

Timber & Wood Products



Despite the fact that the timber industry saw a 22% reduction in employment in the last five years, this sector was one of the few to add jobs in 2014, growing by one percent to 328 jobs. Timber workforce earnings also increased a notch to $17.2 million. In 1991, timber jobs peaked at 3,543 jobs. Once the economic backbone of the region, Southeast Alaska lost 3,200 direct industry jobs in the 1990s. In 2014 dollars, those jobs would have paid the equivalent of $257 million in annual direct wages. Today's Southeast Alaska timber industry is even smaller than it was in the early 1900's. It is also a very different timber industry than the one the so-called "timber wars" were fought over.



The number of board feet harvested annually has fallen by 96% from peak levels in the 1990s. All of the large mills are gone.

Today, most of the regional timber jobs are divided between two organizations: Sealaska, the regional Alaska Native Corporation, and Viking Lumber on Prince of Wales Island—the last remaining mid-sized sawmill in the region (see profiles). Alcan Forest Products is another key employer. Looking forward, a decision is expected in 2016 on Roadless Rule litigation. Should the State and regional advocates prevail, more suitable timber lands would become available for harvesting, and forest related employment would rise.

Spotlight on Sealaska

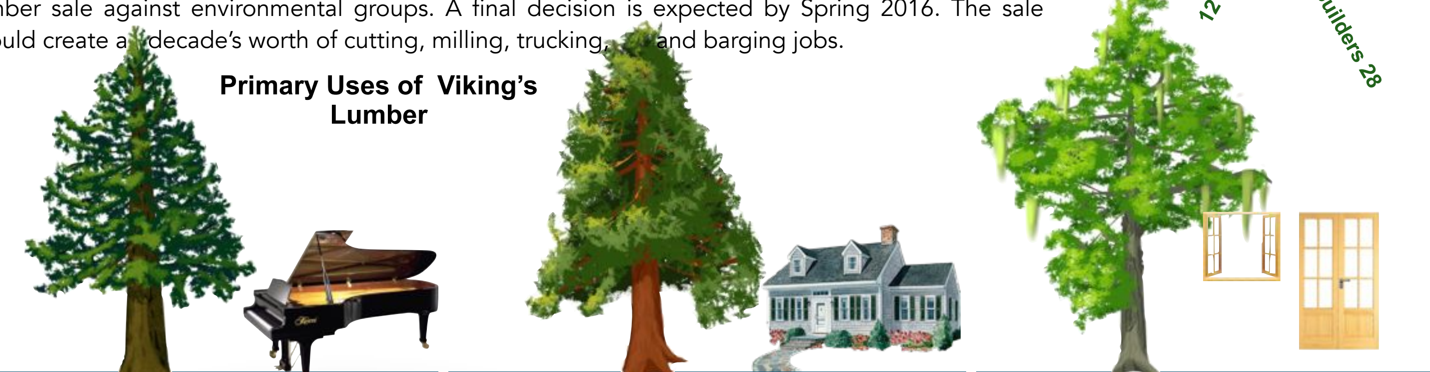
Sealaska is the top wood industry employer in the region. According to Sealaska, a total of 200 Southeast jobs were tied to their timber activities in 2015, many of which were on the verge of being lost without a land conveyance that occurred earlier this year. After a decade of efforts, $10 million in costs, and 200 stakeholder meetings, the final Sealaska land entitlement was transferred in 2015. Sealaska invests $1.5 million per year on silviculture activities in the region. Sealaska's management objective is that its logging, road maintenance, monitoring, and tree thinning activities will produce stable employment and economic activity in rural Southeast over the long-term.

Spotlight on Viking Lumber

"We cut the lumber into some really neat products," explains Kirk Dahlstrom, whose family owns Viking Lumber, describing everything from doors to biofuel bricks to pianos. "The finest concert pianos in the world are made from our forests. We supply the sounding board, keys, and knees." Sitka Spruce is the most desired wood in the world for making high-end pianos, and Viking Lumber is the largest piano stock producer in the United States. Out of Viking's Sitka Spruce, 40,000 pianos a year are made into Steinway, Yamaha, and Kawai pianos. Every Kawai Piano made in the last 15 years was made from Viking lumber. Viking, with an associated workforce of nearly 100, is the longest continuously operating sawmill in Southeast Alaska. It produces 85% of all sawlogs in the region. To remain in business, Viking will need to prevail in the Big Thorne litigation currently before the 9th Circuit. Twenty intervenors have joined the U.S. Forest Service and the State defense of this timber sale against environmental groups. A final decision is expected by Spring 2016. The sale would create a decade's worth of cutting, milling, trucking, and barging jobs.

Southeast Jobs Associated With Viking Lumber

Primary Uses of Viking's Lumber



Trees by graphic illustrator Averyl Veliz.

40,000 pianos a year are made into Steinway, Yamaha, and Kawai pianos from 5 million feet of Viking's Sitka Spruce. The other primary use of Viking Spruce is Japanese Shoji Screens.

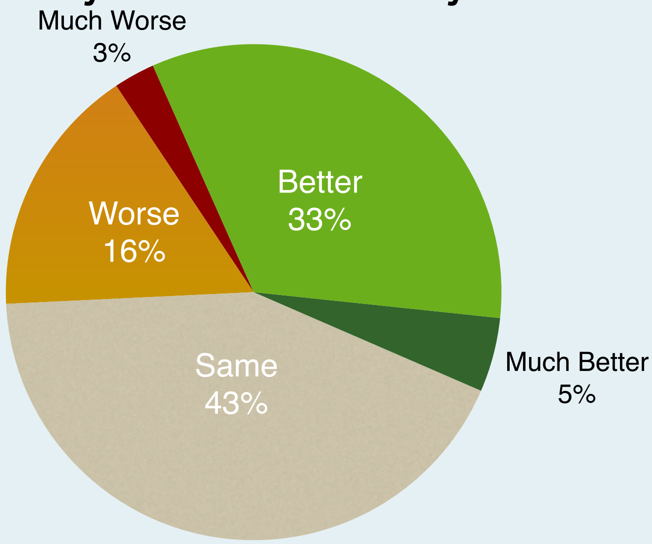
6 million board feet per year of Western Red Cedar is sent to 40 states. The high grade lumber is primarily used to remodel Cape Cod style homes. The rest is used for building gazebos, decks, and fences in Texas and Colorado.

5 million board feet per year of high end Hemlock goes into vertical grain panel doors, window frames, and moldings, mostly in Washington and Oregon.

World Famous Southeast Alaska Wood: What is Southeast Alaska wood used for? In *Note By Note-The Making of Steinway L1037*, film makers traveled here to follow the journey of a concert grand piano from the forest of Southeast Alaska to its debut in Carnegie Hall. All Steinway pianos use Sitka Spruce because it enables the sound-producing energy to travel more efficiently.

Business Climate Survey Results

What is the economic outlook for your business or industry?



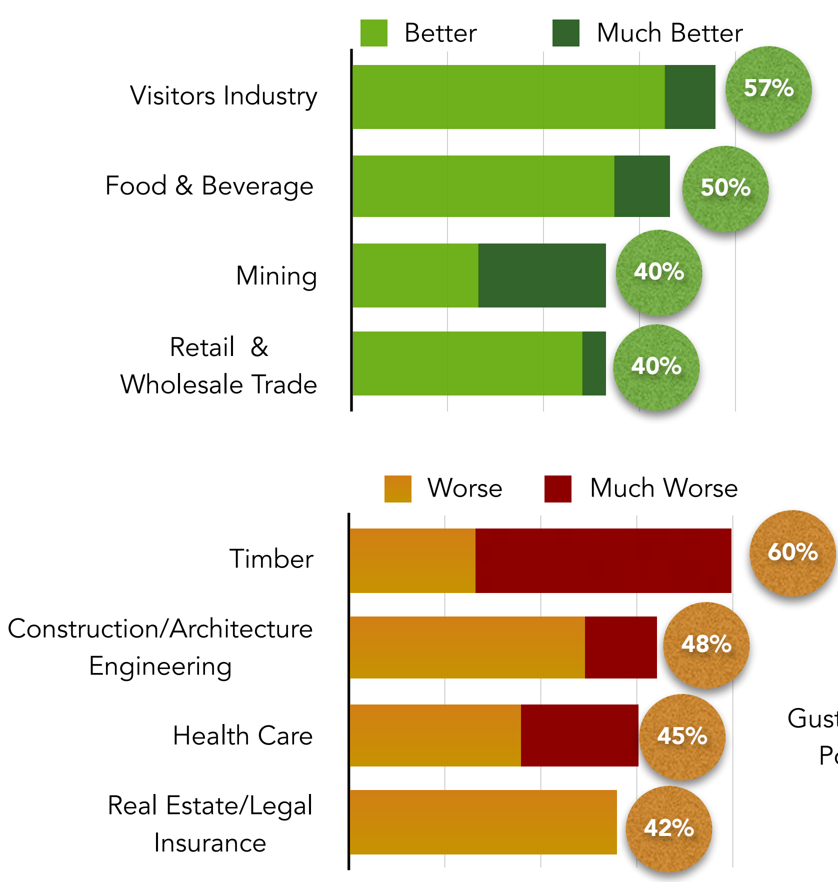
In the Spring of 2015, 416 Southeast Alaska business owners and top managers from 29 communities in the region responded to the Southeast Alaska Business Climate Survey, answering 45 questions about their experience operating businesses in Southeast Alaska. Some key findings are presented here. More than a third (38%) of those surveyed expect the outlook for their business or industry to improve. This was especially true for the visitor and food and beverage industries, and for those businesses located on Prince of Wales Island, Skagway, and Hoonah.

Approximately one-fifth (19%) of business leaders expect the regional business climate to become worse or much worse. Those least optimistic about the direction of their industry in Southeast Alaska included those involved in the timber, construction, and health care industries, along with those with businesses located in Angoon, Metlakatla, and Ketchikan.

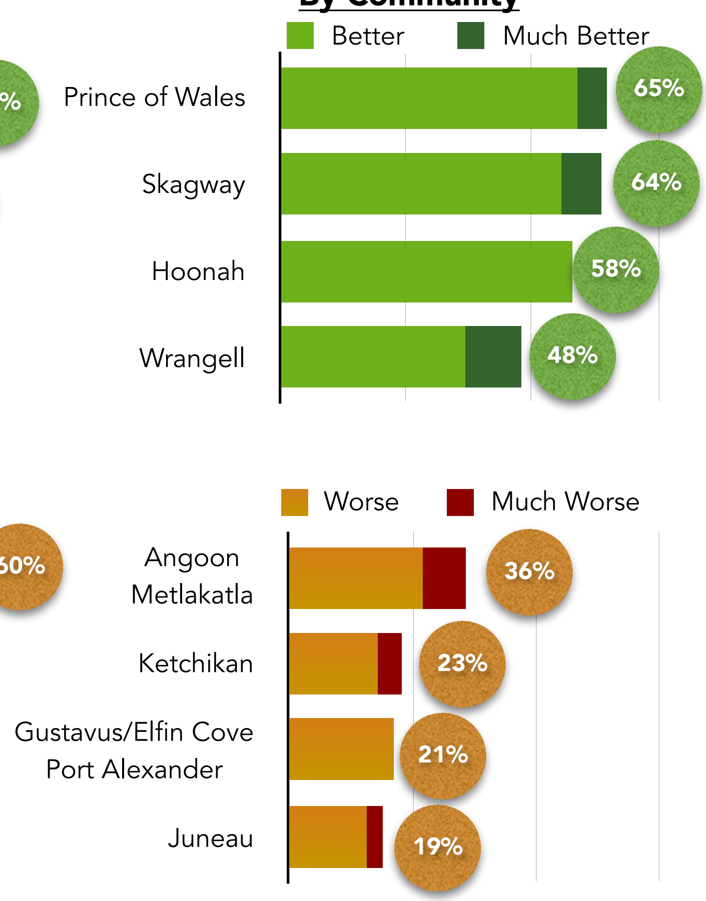
The largest segment of responders (43%) said that they expect their business or industry to maintain current trends.

What is the economic outlook for your business or industry?

By Industry



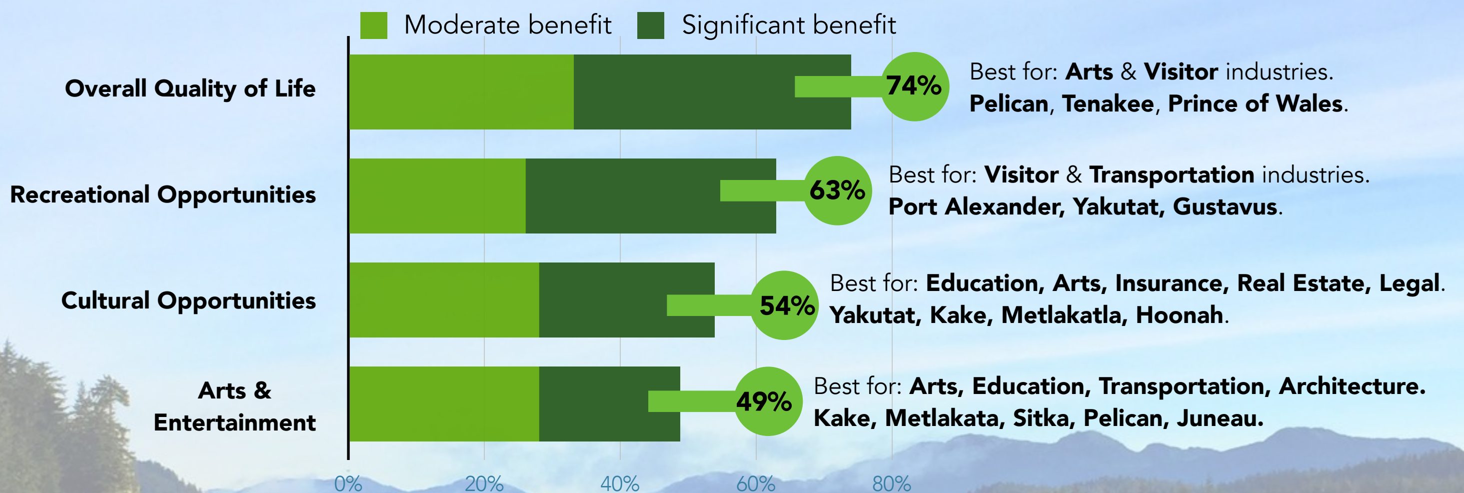
By Community



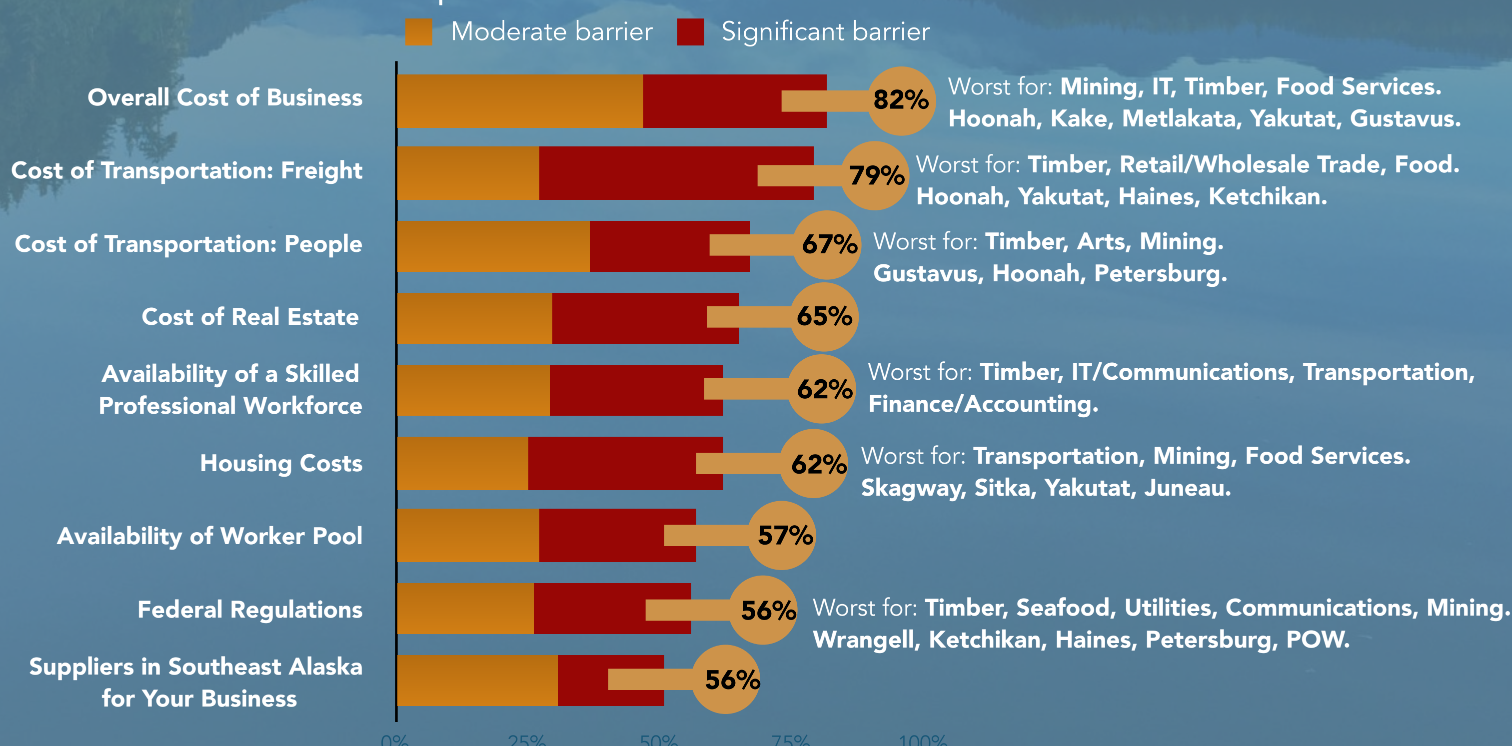
How Significant are These Elements to Operating Your Business in Southeast Alaska?

We also asked business owners and operators about the top barriers and benefits to having their businesses in Southeast Alaska. The overall quality of life and recreational opportunities stood out as elements that provided overall advantages. The top two categories of barriers centered around business costs (overall, freight, transportation, real estate, and housing), and the lack of qualified candidates available for hire.

Top **Benefits**



Top **Barriers**



Demographics

74,280 People

Photo by Clark Mischler

Southeast Alaska saw a population increase of 4,200 people in the region between 2007 and 2012, leading to a new population record. However, since 2012 the number of people in the region has remained stable, hovering around 74,300 people.

Five Years of Shifting Trends

Despite three years of flat trends overall, shifts within the regional population did occur over the past five years. The number of people in their 40s shrank by 1,300, and we ended up with 500 fewer teenagers. But the most pronounced 5-year shift was the continued explosion of baby boomers into their older years. Those aged 65 to 80 grew by 34% (1,900 people). By 2017, the Alaska Department of Labor projects that a quarter of our population will 60 or older.

Some communities have seen marked change as well. Significant population growth (of 12% or higher) was experienced by some of our smaller communities, including Kake, Thorne Bay, Gustavus, Kasaan, Port Protection, and Whale Pass—adding a combined 250 people to these communities over the past five years.

Among communities with over 1,000 residents, Juneau grew the most, adding 1,750 new people to its ranks, a growth of six percent.

Most of these new residents came from outside Alaska, and not from neighboring communities. The number of people moving within Southeast has steadily declined through the past 15 years. More newcomers to communities in the region are also new permanent dividend fund applicants.

Places with double-digit percentage population losses included Hollis, Klukwan, Pelican, Port Alexander, and Elfin Cove.

Population Outlook

Alaska Department of Labor projects an additional increase of less than one percent by 2017 (580 new people), but with the public sector continuing to shed jobs, any upward population trends appear unlikely.

Population Change 2010 to 2014

	2010	2014	Change
Juneau City & Borough	31,275	33,026	6%
Ketchikan Borough	13,477	13,825	3%
Sitka City & Borough	8,881	9,061	2%
Petersburg	2,948	2,964	1%
Haines Borough	2,508	2,537	1%
Wrangell City	2,369	2,406	2%
Metlakatla	1,405	1,480	5%
Craig	1,201	1,198	0%
Skagway Municipality	968	1,031	7%
Klawock	755	802	6%
Hoonah	760	787	4%
Yakutat City & Borough	662	631	-5%
Kake	557	626	12%
Thorne Bay	471	530	13%
Gustavus	442	516	17%
Saxman	411	419	2%
Angoon	459	416	-9%
Hydaburg	376	405	8%
Coffman Cove	176	174	-1%
Tenakee Springs	131	128	-2%
Naukati Bay	113	121	7%
Hollis	112	94	-16%
Hyder	87	91	5%
Klukwan	95	84	-12%
Pelican	88	75	-15%
Kasaan	49	75	53%
Port Protection	48	56	17%
Edna Bay	42	46	10%
Port Alexander	52	45	-13%
Whale Pass	31	39	26%
Kupreanof	27	25	-7%
Game Creek	18	18	0%
Elfin Cove	20	16	-20%
Point Baker	15	13	-13%
Total	**71,664**	**74,280**	**+4%**

Sources: Alaska Department of Labor (ADOL); ADOL Southeast Alaska Population by Age, Sex and Borough/Census Area, 2010 to 2013; Alaska Department of Education and Early Development; Alaska Population Projections 2012 to 2042, April 2012; 2010 US Census.

Southeast Alaska Regional Overview

Southeast Alaska Land Ownership

Circle size = Number of Acres

16% Other Federal Holdings make up nearly all the rest (mostly Glacier Bay)

3.4% Alaska Native Organizations are the region's next largest land owner

2.5% State of Alaska Lands include those managed as part of the Mental Heath Trust

0.25% Municipal Land Holdings

0.05% Private land owners

Sources: Personal communications with Kyle Moselle, State of Alaska; Susan Jennings, US Forest Service; Brian Kleinhenz, Sealaska. *Economies in transition: An assessment of trends relevant to management of the Tongass National Forest, USDA 1998.*

The Region

The Southeast Alaska Panhandle extends 500 miles along the coast from Metlakatla to Yakutat, encompassing approximately 33,500 square miles of land and water. The saltwater shoreline of Southeast Alaska is approximately 18,500 miles. More than 1,000 islands make up 40 percent of the total land area. The region is home to 34 communities. The three largest communities—Juneau, Ketchikan, and Sitka—together are home to 75 percent of the regional population. Alaska Natives make up nearly a quarter (22%) of the region's population.

Land Ownership

Southeast Alaska's land ownership is dominated by the federal government, which manages 94 percent of the land base. Most of this (78%, 16.75 million acres) is the Tongass National Forest. The remaining federal lands are mostly in Glacier Bay National Park. The State manages 2.5 percent of the total land base (511,500 acres), including the Alaska Mental Health Trust Authority and University of Alaska lands. Boroughs and communities own 53,000 acres—a quarter of one percent of the entire regional land base. Alaska Native organizations, including village, urban, and regional corporations and the Annette Island Reservation own 3.4 percent (728,100 acres) of the land base. Other private land holdings account for 0.05 percent of the remaining land base. The lack of privately owned land and land available for development is unique in Southeast Alaska and impedes the ability of the region to nurture the private sector. (See infographic on the left).

Past Economic Trends

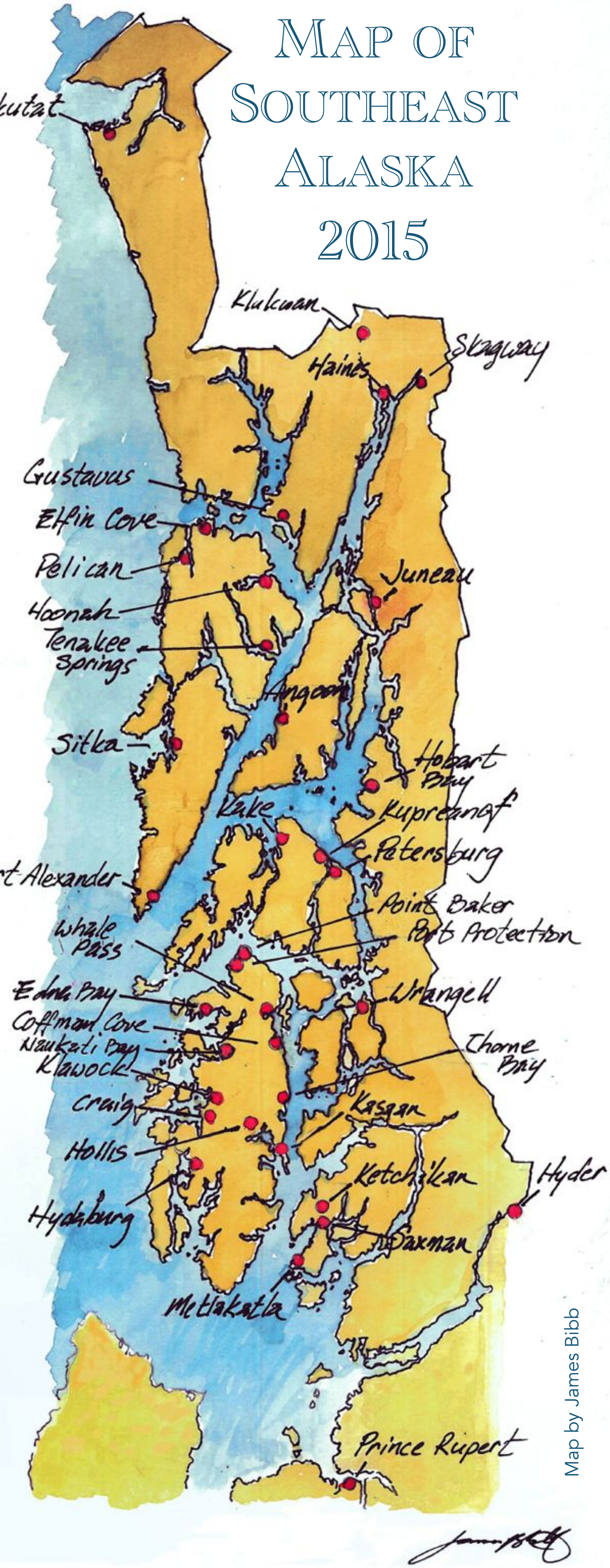
Beginning in the 1880s, the population of Southeast Alaska experienced a century of growth that intensified after statehood in 1959. From statehood into the 1990's, population and employment levels in Southeast more than doubled as the workforce expanded in the areas of mining, government, fishing, tourism, and timber. However, the later 1990's and early 2000's were difficult years for the Southeast Alaska people. At the beginning of the 1990's seafood and timber directly accounted for a fifth of the regional economy. Over that next decade pulp mills and sawmills in the region closed, laying off 4,200 workers. During the same period, the value of salmon declined, and catch values fell by two-thirds. Total Southeast Alaska wages hit bottom in 1997. It would be another ten years before the adverse economic consequences of timber industry losses worked their way through the regional economy. Population levels continued to decline through 2007. Between 2008 and 2012 the region staged an economic recovery, gaining people and jobs, but after peaking in 2012, the Southeast Alaska economy plateaued.

Regional SWOT Analysis

In March of 2015 Southeast Conference asked its membership to identify the greatest strengths, weaknesses, opportunities, and threats to our region—and received 1,200 written responses.

- Top Strength: Our people and our Southeast Alaskan spirit
- Top Weakness: Transportation costs
- Top Opportunity: Seafood & product development
- Top Threat: Federal government regulations and overreach

MAP OF SOUTHEAST ALASKA 2015



Map by James Bibb

SOUTHEAST CONFERENCE

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